

Small Scale Industries

7.58 The performance of small scale industries sector in terms of critical parameters like number of units (both registered and unregistered), production, employment and export is given in the Table 7.14. During 1999-2000, the SSI sector recorded production growth of 8.23 per cent over the previous year, higher growth rate than the industrial sector as a whole. Details of comprehensive package on SSI sector announced by Prime Minister on August 30, 2000 are given in Box 7.5. Other steps taken to promote the sector have been detailed in Box 7.6.

Sickness in SSI Sector

7.59 There were 3.06 lakh sick SSI units as on 31st March, 1999. These units were those who obtained loans from banks. An amount of Rs. 4,313 crore were blocked in these units. Of these only 18,692 units were considered potentially viable by the banks with their outstanding bank credit amounting to Rs. 377 crore. The banks had identified 271,193 units with outstanding bank credit amount to Rs. 3,746 crore as non-viable. Rehabilitation of sick units is a costly proposition. It involves rescheduling of past overdues with concessions on interest amount due, additional credit for modernisation and technology upgradation and

provision for fresh working capital. At present, the State Level Inter-institutional Committee (SLIIC) is the only mechanism for rehabilitation of potentially viable sick SSIs. However, in the absence of statutory backing, the SLIICs have no power to enforce their decisions.

7.60 There are two main issues in respect of sick SSIs. One is the existence of large number of sick units which are non-viable and the other is the rehabilitation of potentially viable units.

7.61 RBI had issued guidelines for constitution of Settlement Advisory Committees for compromise of chronic NPA accounts in May 1999. These guidelines have been modified by the RBI on 27th July 2000 to provide for one time settlement of dues and are meant to benefit inter alia the sick units in the SSI sector. The main features of these guidelines are that they are non-discriminatory and non-discretionary and are uniformly applicable to NPAs of all sectors separately in two categories viz. below Rs. 5 crore and above Rs. 5 crore. Guidelines also cover NPAs classified as sub-standard as on 31st March, 1997 which subsequently became doubtful for loss category. Most of the SSI units would be covered under the first category i.e. below Rs. 5 crore. The cut off date for doubtful or loss category loans is 31st March, 1997. This one time settlement facility will remain operational till 31st March, 2001.

TABLE 7.14
Overall performance of Small Scale Industry

Year	No. of Units (in lakh)	Production (Rs. crore) (at current prices)	Production (Rs. crore) (at constant prices) (1990-91)	Employment (lakh nos.)	Export (at current prices) (Rs.crore)
1991-92	20.82 (6.9)	1,78,699 (15.0)	1,60,156 (3.1)	129.80 (3.6)	13,883 (43.7)
1992-93	22.46 (7.9)	2,09,300 (17.1)	1,69,125 (5.6)	134.06 (3.3)	17,785 (28.1)
1993-94	23.81 (6.0)	2,41,648 (15.5)	1,81,133 (7.1)	139.38 (4.0)	25,307 (42.3)
1994-95	25.71 (8.0)	2,93,990 (21.7)	1,99,427 (10.1)	146.56 (5.2)	29,068 (14.9)
1995-96	27.24 (6.0)	3,56,213 (21.2)	2,22,162 (11.4)	152.61 (4.1)	36,470 (25.5)
1996-97	28.57 (4.9)	4,12,636 (15.8)	2,47,311 (11.3)	160.00 (4.8)	39,249 (7.6)
1997-98	30.14 (5.5)	4,65,171 (12.7)	2,68,159 (8.4)	167.20 (4.5)	43,946 (12.0)
1998-99	31.21 (3.6)	5,27,515 (13.4)	2,88,807 (7.7)	171.58 (2.6)	48,979 (11.5)
1999-00(P)	32.25 (3.3)	5,78,470 (9.7)	3,12,576 (8.2)	178.50 (4.0)	53,975(E) (10.2)

Note : Figures in the brackets give the increase over previous year; P : Provisional; E : Estimated.

BOX 7.5**Details of Comprehensive Policy Package on SSI & Tiny Sector announced by the Prime Minister on 30th August 2000**

- (i) Raising the exemption for excise duty limit from Rs. 50 lakh to Rs. One crore to improve the competitiveness of small scale sector.
- (ii) Providing Credit Linked capital subsidy of 12 per cent against loans for technology upgradation in specified industries.
- (iii) Conducting of the third census of small scale industries by the Ministry of SSI & ARI after a gap of 12 years. This census would also cover sickness and its causes.
- (iv) Raising the limit of investment in Industry related service and business enterprise from the present level of Rs. 5.00 lakh to Rs. 10 lakh.
- (v) Continuation of the ongoing scheme of granting Rs. 75,000 to each small scale enterprise for obtaining ISO 9000 certification till the end of the X Plan.
- (vi) SSI associations encouraged to develop and operate testing laboratories. One time capital grant of 50 per cent will be given on reimbursement basis to such associations after detailed examination of each case.
- (vii) Raising of the limit for composite loans from Rs. 10 lakh to Rs. 25 lakh.
- (viii) Constitution of group under the Cabinet Secretary to suggest/recommend streamlining of inspection and repeal of redundant laws and regulations applicable to the sector.
- (ix) Increasing the coverage of ongoing Integrated Infrastructure Development (IID) scheme to progressively cover all areas in the country with 50 per cent reservation for rural areas and 50 per cent of plots will be earmarked for tiny sector.
- (x) Raising the family income eligibility limit of Rs. 24,000 to Rs. 40,000 per annum. Under the Prime Minister's Rozgar Yojana (PMRY) which finances setting up of micro enterprises and generates employment for the educated unemployed.

BOX 7.6**Other measures taken to promote the SSI sector**

1. Two new schemes aimed at addressing to the problem of collaterals faced by the SSI units and to encourage technology upgradation are:
 - (i) Credit Guarantee Fund (Scheme) for SSI - The Credit Guarantee Scheme has been launched to provide guarantee for loans upto Rs. 25 lakh extended by Commercial banks, selected well performing Regional Rural Banks and other Financial institutions without any collateral including third party guarantee.
 - (ii) Credit Linked Capital Subsidy Scheme for Technbology Upgradation - Government has approved this scheme on 20th September 2000, wherein 12 per cent back ended capital subsidy would be admissible on loans advanced to SSI by the Scheduled Commercial banks designated SFCs for technology upgradation in certain sub sectors.
2. Enhancing the excise exemption limit for SSIs - The limit has been enhanced from Rs. 50 lakh to Rs. 1 crore with effect from 1st September 2000.
3. Improving Credit to SSIs - Steps taken to improve credit flow to SSIs are
 - (i) Composite Loan Scheme Limit enhanced to Rs. 25 lakh.
 - (ii) For loans upto Rs. 5 lakh, the collateral security requirement has been dispensed with.
 - (iii) RBI has constituted a committee to monitor the flow of credit to SSI under the Chairmanship of its Deputy Governor.
4. Dereservation of Readymade Garments - The dereservation is expected to help the sector by technology upgradation, enhancement of productivity, quality consciousness, product diversification, increase in exports and innovative marketing strategies and maximising employment opportunities.
5. Enhancement of investment ceiling for Small Scale Service and Business (Industry related) Enterprises - The limit has been enhanced from Rs. 5 lakh to Rs. 10 lakh.

Minimum amount to be recovered would be 100 per cent of the outstanding balance. Interest on doubtful/loss interest charged at the existing PLR would be levied for the period between 31st March 1997 and till the final payment date. Settlement amount to be paid would preferably be in one lumpsum. If a borrower is unable to pay the entire amount in one lumpsum, at least 25 per cent is to be paid upfront and the remaining amount in instalments within one year.

7.62 To tackle the problem of Rehabilitation of potentially viable sick SSI units, the Government had, in the policy package for SSI, announced that the RBI would be requested to draw revised guidelines for the rehabilitation of currently sick but potentially viably SSI units. Such guidelines should be detailed, transparent and non discretionary. RBI has set up a Committee to look into this issue.